

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EA-10 EUR-12 NEA-10 IO-13

ISO-00 FEA-01 AGRE-00 CEA-01 CIAE-00 COME-00

DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 SS-15 STR-04 ITC-01

TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 OPIC-03 XMB-02

OIC-02 /147 W

-----089427 031138Z /16

R 031006Z SEP 77

FM USMISSION GENEVA

TO SECSTATE WASHDC 869

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ETRD, GATT, SW, NE

SUBJECT: EXPORT INFLATION INSURANCE (EII) WORKING PARTY

REF: A. STATE 204301; B. GENEVA 6838; C. BRUSSELS 01986

1. AS RECOMMENDED REFTEL, WE CONTACTED CANADIAN, SWEDISH AND JAPANESE DELEGATES TO SEEK THEIR SUPPORT FOR US LANGUAGE ON CONCLUSIONS REF B. WE WILL SEEK SUPPORT OF NORWEGIAN AND SWISS DELS WHEN THEY RETURN FROM VACATION SEPTEMBER5. WE
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ALSO QUERIED THE EC (ABOOTT) CONCERNING EC INTENTIONS ON ISSUE OF SELF-FINANCING OF EII.

2. ABBOTT INDICATED THAT EC NOT REPEAT NOT NOW LIKELY TO ASK FOR SEPARATE PARAGRAPH HIGHLIGHTING SELF-FINANCING ARGUEMENT ON GATT LEGALITY OF EII. ABBOTT BELIEVES THAT UK AND FINNISH STATEMENTS IN NEW DRAFT WP REPORT (PARA 23 AND 24

GATT DOC SPEC (77) 21/REV 1 POUCHED WASHINGTON AUG 25)
ADEQUATELY COVER POINTS EC WAS TRYING TO MAKE IN SEPARATE
PARAGRAPH, AND HE SEES NO NEED TO HIGHLIGHT THE MATTER
FURTHER. AS HE EARLIER AGREED (REF B), ABBOTT HAS DISCUSSED
US DRAFT LANGUAGE ON CONCLUSIONS WITH UK AND WILL DO SO WITH
FRENCH WHEN FRENCH DEL RETURNS FROM VACATION SEPT 5. ABBOTT
ADDED THAT, ON BASIS OF PRELIMINARY TALKS WITH UK REP, IHE
WAS MORE OPTIMISTIC THAN AT CLOSE OF JULY MEETING THAT
SOMETHING MIGHT BE WORKED OUT ON THE CONCLUSIONS. IHE
EMPHASIZED AGAIN, AS REF (C) POINTS OUT, THAT EC HAS NO
POSITION IN THE WP AND WILL LEAVE IT TO THE FRENCH AND UK
TO DEFEND THEIR SCHEMES, BOTH IN THE BODY AND IN THE
CONCLUSIONS OF THE WP REPORT. IN VIEW OF THE ABOVE WE
QUESTION THE UTILITY OF A FURTHER DEMARCHE IN BRUSSELS AT
THIS TIME.

3. USEC'S USEFUL INTERVENTION (REF C) SHOULD SERVE TO PUT
ABBOTT ON A TIGHTER LEASH WHEN HE DISCUSSES ISSUE IN
BRUSSELS SEPT 8 AND 9 AND, COUPLED WITH A SUMMER OF
RELAXED REFLECTION, HOPEFULLY WILL MAKE FOR A MORE
COOPERATIVE EC ATTITUDE SEPT 12-13.

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4. CANADIANS WILL SUPPORT US CONCLUSIONS FULLY AS LONG AS INDIVIDUAL COUNTRY SCHEMES ARE CLEARLY IDENTIFIED IN THE BODY OF THE WP REPORT. EVEN IF OTHER COUNTRIES, PARTICULARLY UK AND FRANCE, RESIST SUCH IDENTIFICATION, WE AND CANADIANS AGREED TO ALTER THOSE PARAGRAPHS OF THE WP REPORT SUMMARIZING US AND CANADIAN STATEMENTS (PARA 17 AND 20) TO IDENTIFY CLEARLY INDIVIDUAL EII SCHEMES. SWEDES HAVE NO OBJECTION IN PRINCIPLE TO COUNTRY IDENTIFICATION BUT SEE SOME PRACTICAL PROBLEMS WHEN SEPARATE PARAGRAPHS REFER TO "SOME MEMBERS." JAPAN OBJECTED AT LAST WP TO HAVING ITS TAX SYSTEM SINGLED OUT
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BUT JAPANESE DEL BELIEVES TOKYO CAN ACCEPT COUNTRY IDENTIFICATION IF ALL SCHEMES ARE IDENTIFIED. BOTH JAPAN AND SWEDEN HAVE TRANSMITTED US DRAFT CONCLUSIONS TO CAPITALS FOR COMMENT.

5. ON QUESTION OF EXCHANGE RATE INSURANCE (PARA 5 REF A) DRAFT WP REPORT CONTAINS SWISS REBUTTAL STATEMENT (PARA 13-15). WE BELIEVE THAT PARA 12 STATING THAT SOME DELS BELIEVE EXCHANGE INSURANCE OUTSIDE OF TERMS OF REFERENCE BUT WILLING TO DISCUSS THEM ELSEWHERE IN GATT CONVEYS US ATTITUDE AND THAT WE DO NOT THEREFORE NEED TO ASSOCIATE US WITH SWISS REBUTTAL IN PARA 13-15.

6. QUESTION PARA 4 REFTL REGARDING ABBOTT'S DIFFICULTY WITH US LANGUAGE ON DISTORTIVE EFFECTS REFERS TO ORIGINAL LANGUAGE PROPOSED BY US DURING JULY SESSION OF WP, WHICH ABBOTT BELIEVED PUT EC IN ADVERSARY POSITION VIS-A-VIS MEMBER STATES. PART OF REASON FOR REVISED LANGUAGE WAS TO ALLOW EC TO TAKE NO POSITION ON EII WHICH ORIGINAL US LANGUAGE "ALL MEMBERS OF THE WP NOT MAINTAINING EII SCHEMES" DID NOT ALLOW. VANDEN HEUVEL

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